

CURRENT CONDITIONS INDEX

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Rhode Island's economy continued its expansion (restoration) in February, aided by extremely easy "comps" from a year ago. This will be the last month for which such easy comps exist, which should cause the Current Conditions Index to move to a somewhat lower range as the pace of economic activity improves but at more uneven but moderate rates.

The Current Conditions Index for February was 75, the same as it was in January, with nine of twelve indicators improving. Most of the advancing indicators displayed healthy growth rates, but as has been the case for so long, we must consider the "base effects," or the levels of the growth rates that result when the base (last February) values were weak. And even with this feature, several improving indicators, notably the **Labor Force**, barely managed to register a gain this month while the indicators that failed to improve had disturbing negative rates of growth.

For February, only two of the five leading indicators contained in the CCI improved, even with easy comps. Couple this with the ongoing weakness in the Monthly CCI, and we will continue to move closer to what is our normal, or longer-term performance.

| CCI Indicators - % Change | |
|----------------------------|---------|
| Government Employment | 1.1 Y |
| US Consumer Sentiment | -18.0 |
| Single-Unit Permits | -10.0 |
| Retail Sales | 7.4 Y |
| Employment Services Jobs | -7.4 |
| Priv. Serv-Prod Employment | 4.1 Y |
| Total Manufacturing Hours | 15.2 Y |
| Manufacturing Wage | 11.3 Y |
| Labor Force | 0.3 Y |
| Benefit Exhaustions | -68.9 Y |
| New Claims | -64.1 Y |
| Unemployment Rate (change) | -2.2 Y |

Remember, though, Rhode Island's recovery from the pandemic has been more rapid and stronger than we originally thought, as we saw from the revised labor market data. To summarize, we are clearly continuing to move forward from the pandemic, but from this point

forward, expect a much more accurate picture of our economy's true momentum, one that is distinct from the distortions of continually weak "comps."

Looking at our state's **Unemployment Rate**, it fell significantly, from 6.1 percent last February to 3.9 percent this February. As this was occurring, our state's **Labor Force** barely increased (+0.3%) while declining slightly on a monthly basis, and resident employment, the number of Rhode Island residents who are employed (either in our out of RI), rose by a strong 2.6 percent, or 13,800. Better yet, our state's employment rate, the most important statistic that nobody here know anything about, moved from 60.5 to 60.7 percent, validating these other measures. **Retail Sales**, the star performer in the CCI, increased by 7.4 percent in February, ironically, its first non-double-digit increase since January of 2021.

Among the leading indicators contained in the CCI, one concern

| 75 | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | 2021 | 17↓ | 17 | 58↑ | 92↑ | 92↑ | 100 | 100 | 67↑ | 83 | 92↑ | 92↑ | 92 |
| | 2022 | 75 | 75 | | | | | | | | | | |

was **Employment Service Jobs**, a leading indicator that includes temps, which declined for its second consecutive month (-7.4%). There were also issues with both **Single-Unit Permits** (new home construction), which fell by 10 percent, its second consecutive decline and **US Consumer Sentiment**, registering a decline of 18 percent, its seventh consecutive move lower. Fortunately, the other two leading indicators showed significant strength in February. **New Claims**, the most timely measure of layoffs, fell by 64.1 percent and has now improved to much lower levels every month since June. We are also continuing to witness sustained momentum in our state's manufacturing sector, as **Total Manufacturing Hours**, a proxy for total manufacturing output, rose at a double-digit level (+15.2%), its twelfth consecutive increase with both the workweek and employment rising once again. Along with this, the **Manufacturing Wage** also rose at a double-digit rate.

February saw yet another weak performance by the Monthly CCI, at its neutral value of 50, continuing a trend that provides further evidence suggesting an uneven recovery from this point forward.

| CCI Indicators - Monthly % Change | |
|-----------------------------------|---------|
| Government Employment | 0.3 Y |
| US Consumer Sentiment | -3.1 |
| Single-Unit Permits | -10.1 |
| Retail Sales | -2.4 |
| Employment Services Jobs | -1.9 |
| Priv. Serv-Prod Employment | 1.0 Y |
| Total Manufacturing Hours | 3.1 Y |
| Manufacturing Wage | -1.3 |
| Labor Force | -0.0 |
| Benefit Exhaustions | -13.9 Y |
| New Claims | -23.6 Y |
| Unemployment Rate (change) | -0.3 Y |

For Rhode Island, the most pressing question is how long it will take for employment to return to its pre-pandemic level. I have noted my concerns, since our elected officials have done painfully little to eliminate the host of structural issues plaguing this state.

| LABOR FORCE: | FEB 2022 | Peak (1/2007) |
|--------------------|----------|---------------|
| Participation Rate | 63.2% | 68.5% |
| Employment Rate | 60.7% | 65.1% |

| JOB CHURN | |
|-----------------------|--------|
| DLT JAN 2022 (SA,Y/Y) | |
| Gain | 19,700 |
| Loss | 1,200 |
| Net Chg | 18,500 |

